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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

TRAVELERS PROPERTY CASUALTY
COMPANY OF AMERICA, *et al.*,

Plaintiffs,

v.

LINEAGE LOGISTICS, LLC, *et al.*,

Defendants.

Case No.: 2:24-cv-00835-MEMF

**ORDER DENYING MOTION TO DISMISS
AND STAYING CASE [ECF NO. 24]**

Before the Court is the Motion to Dismiss filed by Defendant The Stellar Group Incorporated. ECF No. 24. For the reasons stated herein, the Court hereby DENIES the Motion to Dismiss but finds a stay warranted.

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1 **I. Background**

2 **A. Factual Allegations¹**

3 Defendant The Stellar Group, Incorporated (“Stellar”) entered into a design-build-agreement
4 with Defendant Lineage Logistics, LLC (“Lineage”) around April 7, 2017, to act as Lineage’s
5 general contractor and provide design-build services for a distribution facility in Vernon, California
6 (the “Project”). Compl. ¶ 9. On March 28, 2022, Lineage filed a complaint against Stellar in Los
7 Angeles Superior Court (Case No. 22STCV10600) (the “Underlying Action”), alleging primarily
8 that the refrigeration units Stellar was obligated to supply were defective and inadequate. *Id.* ¶¶ 11,
9 12. The complaint in the Underlying Action includes causes of action for breach of contract, express
10 indemnity, negligence, negligent misrepresentation, and claim on contractor’s license bond. *Id.* ¶ 11.
11 Lineage is seeking damages of over \$5 million against Stellar. *Id.* ¶ 13.

12 Plaintiffs Travelers Indemnity Company (“Travelers Indemnity”)² issued five commercial
13 general liability policies to Stellar between April 1, 2016 to October 1, 2021 (the “Policies”). *Id.* ¶
14 14. Under the Policies, Travelers Indemnity has an obligation to pay sums that an insured becomes
15 legally obligated to pay as damages because of “property damage” caused by an “occurrence” during
16 the policy period, subject to applicable limitations and exclusions. *Id.* ¶ 15. Stellar tendered
17 Lineage’s claims related to the Project to Travelers on August 7, 2021, with Travelers agreeing to
18 defend and indemnify Stellar pursuant to a reservation of Travelers’s rights. *Id.* ¶ 26.

19 **B. Procedural History**

20 On January 31, 2024, Travelers filed its complaint alleging a sole cause of action for
21 declaratory relief to determine its obligation to indemnify Stellar in the Underlying Action. *See*
22 *generally*, Compl. On July 19, 2024, Stellar filed the instant motion to dismiss. ECF No. 24
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25 ¹All facts stated herein are taken from the allegations in Plaintiffs’ Complaint unless otherwise indicated. ECF
26 No. 1 (“Compl.”). For the purposes of this Motion, the Court treats these factual allegations as true, but at this
27 stage of the litigation, the Court makes no finding on the truth of these allegations, and is therefore not—at
this stage—finding that they are true.

28 ² The Court will refer to Travelers Indemnity and Plaintiff Travelers Property Casualty Company of America
collectively as “Travelers.”

1 (“Motion”). On August 12, 2024, Travelers filed its opposition. ECF No. 29 (“Opposition”). On
2 August 19, 2024, Stellar filed its reply. ECF No. 34 (“Reply”).

3 **II. Applicable Law**

4 Federal Rule of Civil Procedure 12(b)(1) authorizes a party to seek dismissal of an action for
5 lack of subject-matter jurisdiction. “Because standing and ripeness pertain to federal courts’ subject
6 matter jurisdiction, they are properly raised in a Rule 12(b)(1) motion to dismiss.” *Chandler v. State*
7 *Farm Mut. Auto. Ins. Co.*, 598 F.3d 1115, 1122 (9th Cir. 2010). In the context of a 12(b)(1) motion,
8 the plaintiff bears the burden of establishing Article III standing to assert the claims. *Id.*

9 Rule 12(b)(1) jurisdictional challenges can be either facial or factual. *Safe Air for Everyone v.*
10 *Meyer*, 373 F.3d 1035, 1039 (9th Cir. 2004). When a motion to dismiss attacks subject-matter
11 jurisdiction on the face of the complaint, the court assumes the factual allegations in the complaint
12 are true and draws all reasonable inferences in the plaintiff’s favor. *Doe v. Holy See*, 557 F.3d 1066,
13 1073 (9th Cir. 2009). Moreover, the standards set forth in *Bell Atlantic Corp. v. Twombly*, 550 U.S.
14 544 (2007), and *Ashcroft v. Iqbal*, 556 U.S. 662 (2009), apply with equal force to Article III standing
15 when it is being challenged on the face of the complaint. *See Terenkian v. Republic of Iraq*, 694 F.3d
16 1122, 1131 (9th Cir. 2012) (applying *Iqbal*). Thus, in terms of Article III standing, the complaint
17 must allege “sufficient factual matter, accepted as true, to ‘state a claim to relief that is plausible on
18 its face.’” *Iqbal*, 556 U.S. at 678 (quoting *Twombly*, 550 U.S. at 570).

19 The Declaratory Judgment Act states, “[i]n a case of actual controversy within its jurisdiction
20 . . . any court of the United States . . . may declare the rights and other legal relations of any
21 interested party seeking such declaration.” 28 U.S.C. § 2201(a). District courts must first inquire
22 whether there is an actual case or controversy within its jurisdiction. *American States Ins. Co. v.*
23 *Kearns*, 15 F.3d 142, 143 (9th Cir. 1994). If a case is not ripe for review, then there is no case or
24 controversy, and the court lacks subject-matter jurisdiction. *Id.* The ripeness doctrine “is intended ‘to
25 prevent the courts, through avoidance of premature adjudication, from entangling themselves in
26 abstract disagreements over administrative policies, and also to protect the agencies from judicial
27 interference until an administrative decision has been formalized and its effects felt in a concrete
28 way by the challenging parties.’” *Trustees for Alaska v. Hodel*, 806 F.2d 1378, 1381 (9th Cir. 1986).

1 The actual case or controversy requirement is “not relaxed in the declaratory judgment context,” and
2 a “party seeking declaratory relief must demonstrate the three elements that comprise the irreducible
3 constitutional minimum of standing: (1) an injury in fact that is concrete and particularized and
4 actual or imminent, not conjectural or hypothetical that is (2) casually connected and fairly traceable
5 to the conduct complained of and not the result of the independent action of some third party not
6 before the court and (3) likely as opposed to merely speculative, such that the injury will be
7 redressed by a favorable decision.” *San Diego County Union v. Citizens Equity First Credit Union*,
8 65 F.4th 1012, 1022–23 (9th Cir. 2023) (cleaned up).

9 **III. Discussion**

10 Stellar moves to dismiss on the basis of subject-matter jurisdiction arguing that the case is
11 not ripe for adjudication because the Underlying Action has not yet determined whether there is any
12 liability to Stellar, and therefore Travelers’ duty to indemnify has not been triggered. Motion at 1.
13 For the reasons discussed next, the Court finds that it has jurisdiction to determine the respective
14 rights, duties, and obligations between the parties under the provisions of the Policies.

15 First, California state courts find it at times appropriate to “determine questions of insurance
16 coverage” before any specific liability has been determined. *See Armstrong World Industries, Inc. v.*
17 *Aetna Casualty & Surety Co.*, 45 Cal. App. 4th 1, 89 (1996). Stellar argues that in *Armstrong*, the
18 court stated “the question [of] whether an insurer has a duty to indemnify the insured on a particular
19 claim is ripe for consideration only if the insured has already incurred liability in the underlying
20 action.” *Id.* at 108. However, the court went on to explain that “[i]n a declaratory relief action held
21 before the insured’s liability has been established, the trial court cannot determine the amount of the
22 insured’s indemnity obligation; it must limit its declaration to whether the claim is covered by the
23 policy.” *Id.* The court found “no error in the trial court’s declaration that Armstrong is entitled to
24 indemnification *if* Armstrong is held liable for the damages alleged in the underlying complaints.”
25 *Id.* at 109. Here, similarly, Travelers is not requesting a determination of the amount it potentially
26 has to pay—Travelers are merely asking for a judgment on whether they should have to pay at all.

27 Stellar also argues that the California Supreme Court has held that “the duty to indemnify can
28 arise only after damages are fixed in their amount.” *Certain Underwriters at Lloyd’s of London v.*

1 *Superior Court*, 24 Cal. 4th 945, 958 (2004).³ However, this statement was not in the context of a
2 dispute regarding ripeness or standing, but was in the context of the court’s actual adjudication on
3 the merits of the declaratory relief claim on a motion for summary adjudication. *Id.* at 955. The
4 Court finds the issue of ripeness to be separate from whether or not as a matter of law a duty to
5 indemnify is triggered prior to the determination of damages.

6 Regardless, the Court further notes that it is not clear that a determination of ripeness by a
7 California state court satisfies the case and controversy requirement of Article III standing. *See*
8 *Grosset v. Wenaas*, 42 Cal. 4th 1100, 1117 n.13 (2008) (explaining that while “Article III of the
9 federal Constitution imposes a ‘case-or-controversy limitation on federal court jurisdiction,’ . . .
10 There is no similar requirement in our state Constitution”). Stellar cites a number of district court
11 cases where the court found no actual case or controversy posed by a declaratory relief claim based
12 on insurance coverage when liability has yet to be determined.⁴ The Court does not find the analysis
13 in any of these cases persuasive, and finds that standing is not precluded in this particular situation
14 based on the Supreme Court’s holding in *Maryland Cas. Co. v. Pacific Coal & Oil Co.*, 312 U.S.
15 270 (1941). In *Maryland*, the Supreme Court addressed the question of whether a claim seeking
16 declaratory relief of insurance coverage established a controversy where an underlying action had
17 not yet proceeded to judgment. *Id.* at 271–72. The Supreme Court found that “the complaint in the
18 instant case presents such a controversy is plain,” and that “[i]t is clear that there is an actual
19 controversy between the petitioner and the insured.” *Id.* at 273–74. It is clear that when a claim
20 seeking declaratory relief regarding a duty to indemnify *and* a duty to defend are at issue, the case or
21 controversy requirement is satisfied. *See Kearns*, 15 F.3d at 144 (following *Maryland*, “in which the
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24 ³ The duty to defend, on the other hand, “may arise as soon as damages are sought in some amount.” *Id.*
Travelers does not appear to assert a claim with regards to any applicable duty to defend in its Complaint.

25 ⁴ *See, e.g., Sodexo Management, Inc. v. Old Republic Insurance Company*, 2021 WL 254240 at *10 (S.D. Cal.
26 Jan. 26, 2021); *Starr Indemnity & Liability Company v. Chart Industries, Inc.*, 2023 WL 2352247 at *2 (N.D.
27 Cal. March 3, 2023); *Travelers Indemnity Co. of Connecticut v. Boudreau Pipeline Corp.*, 2022 WL 4596693
28 (C.D. Cal. July 29, 2022); *Steadfast Ins. Co. v. Essex Portfolio, LP*, 2021 WL 4622816 at *1 (N.D. Cal. Oct.
7, 2021); *Travelers Property Casualty Co. of America v. Salesforce.com, Inc.*, 2021 WL 1376575 at *1 (N.D.
Cal. Apr. 13, 2021); *First Mercury Ins. Co. v. Great Divide Ins. Co.*, 203 F. Supp. 3d 1043, 1054 (N.D. Cal.
2016).

1 Supreme Court held that an insurer’s declaratory judgment action regarding its duty to defend and
2 indemnify was sufficiently ripe, even when the underlying liability action in state court had not yet
3 proceeded to judgment”).

4 While there does not appear to be any precedent regarding a situation where the declaratory
5 relief claim pertains solely to the duty to indemnify, the Supreme Court in *Maryland* did not
6 distinguish between the two duties, nor did its analysis rely on reasoning solely applicable to the
7 duty to defend. Specifically, the Supreme Court found a plain controversy where judgment was
8 being sought against the insured, which would potentially result in liability against the insurer if the
9 insured did not satisfy the judgment. *Maryland Cas. Co.*, 312 U.S. at 273. Moreover, the Supreme
10 Court noted that finding otherwise could result in “opposite interpretations of the policy by the
11 federal and state courts.” *Id.* at 274. As both of lines of reasoning are applicable regardless of
12 whether the duty to defend or the duty to indemnify are at issue, the Court finds that a case and
13 controversy requirement can be satisfied even if only the duty to indemnify is at issue.⁵

14 Next, the Court finds the case and controversy requirement satisfied based on the facts and
15 circumstances of this particular case. “The difference between an abstraction question and a
16 ‘controversy’ contemplated by the Declaratory Judgment Act is necessarily one of degree, and it
17 would be difficult . . . to fashion a precise test.” *Maryland Cas. Co.*, 312 U.S. at 273. Here, the Court
18 finds that there is a concrete and particularized injury, that is more likely than speculative. *See San*
19 *Diego County Credit Union*, 65 F.4th at 1023. Here, there is a real dispute between Defendants in
20 the Underlying Action, and there is a real dispute between Travelers and Stellar about the rights and
21 obligations between them that will determine who may be potentially liable for up to \$5 million in
22 damages. That there is a possibility there may be no resulting damages is not sufficient, otherwise, in
23 no case would a litigant be able to bring a claim for declaratory relief. The concreteness of the
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26 ⁵ The Court notes that other circuits have held along these lines. *See ACandS, Inc. v. Aetna Cas. And Sur. Co.*,
27 666 F.2d 819, 822–23 (3d Cir. 1981) (“Declaratory suits to determine the scope of insurance coverage have
28 often been brought independently of the underlying claims albeit the exact sums . . . which the insurer may be
liable to indemnify depend on the outcome of the underlying suits.”); *Associated Indem. Corp. v. Fairchild*
Industries, Inc., 961 F.2d 32, 35 (2d Cir. 1992) (“That the liability may be contingent does not necessarily
defeat jurisdiction of a declaratory judgment action.”).

1 dispute is furthered by Travelers's obligations under California law to consider settlement in the
2 Underlying Action as of this very moment. *See PPG Industries, Inc. v. Transamerica Ins. Co.*, 20
3 Cal. 4th 310, 312 (1999) ("In each policy of liability insurance, California law implies a covenant of
4 good faith and fair dealing. This implied covenant obligates the insurance company, among other
5 things, to make reasonable efforts to settle a third party's lawsuit against the insured.").⁶

6 Nevertheless, the Court finds that Stellar has shown that a stay is warranted pursuant to the
7 *Landis* factors. *See CMAX, Inc. v. Hall*, 300 F.2d 265, 268 (9th Cir. 1979) (noting the competing
8 interests to be weighed in determinine whether a stay should issue are "the possible damage which
9 may result from the granting of a stay, the hardship or inequity which a party may suffer in being
10 required to go forward, and the orderly course of justice measured in terms of simplifying or
11 complicating of issues, proof, and questions of law which could be expected to result from a stay").
12 Under the *Landis* factors, Stellar has shown that a stay will (1) impose little harm to Travelers, (2)
13 prejudice to Stellar from having to fight a "two-front" war in this action as well as the Underlying
14 Action, and (3) promote the orderly course of justice in conserving judicial resources, as if there is
15 no liability to Stellar, this action will be moot. Motion at 24.⁷

17 ⁶ Although Stellar argues that an extracontractual duty should not impact Travelers's contractual duty to
18 indemnify, Stellar cites no binding authority on this point. Reply at 5–6. Regardless of whether it is a
19 contractual obligation or not, it is a legal obligation that would be affected by a resolution from the relief
20 sought. Moreover, the Court does not find it necessary that there be an allegation of an imminent settlement
21 offer, because the obligation itself is ongoing. Rather, this lack of an imminent settlement offer only moots
22 Stellar's point that an insurer cannot evaluate the reasonableness of a settlement offer based on a "belief that
23 the policy does not provide coverage." *Johansen v. California State Auto Ass'n. Inter-Ins. Bureau*, 15 Cal. 3d
24 9, 16 (1975). Although once a settlement offer is made, Travelers may have a duty to evaluate it without
25 regard to its beliefs regarding what the policy covers, it is not clear why that would not be relevant to seeking
26 settlement as a whole. In particular, Travelers may ultimately determine that it should make an offer to settle
27 based on its understanding of coverage without regard to whether it receives a settlement offer. Therefore, a
28 resolution in this case would impact Travelers's actions, further demonstrating a real controversy.

⁷ Travelers does not make any arguments with regards to the *Landis* factors and therefore the Court finds its
arguments relating to them conceded. Rather, Travelers only argues that the Court must use the *Colorado
River* framework to determine whether a stay is applicable here. *Ernest Bock, LLC v. Steelman*, 76 F.4th 827,
832 (9th Cir. 2023). However, the Court does not find that this framework necessarily applies in all instances
where there is a related state and federal action. Rather, the *Colorado River* inquiry involves determining
whether the state and federal courts are dealing with the same or substantially similar questions. *See Nakash v.
Marciano*, 882 F.2d 1411, 1416 (9th Cir. 1989) (to invoke a *Colorado River* stay, while "exact parallelism" is
not required, it is enough that two proceedings are "substantially similar"). Here, that this case and the

1 **IV. Conclusion**

2 For the foregoing reasons, the Court DENIES the Motion to Dismiss. ECF No. 24. However,
3 the Court ORDERS that the action is stayed. The parties are ORDERED to file a joint status report
4 every one-hundred eighty (180) days regarding the status of the Underlying Action.

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6 IT IS SO ORDERED.

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8 Dated: December 23, 2024



9 MAAME EWUSI-MENSAH FRIMPONG

10 United States District Judge
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28 Underlying Action are related do not make them substantially similar, and Travelers themselves point out that its duty of indemnification is not at issue in the Underlying Action. Opposition at 13–14. Therefore, the Court does not find the application of *Colorado River* appropriate here.